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State Dept. review completed

28 Sep 82



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28 SEP 82 20 31z

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FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 3803

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S E C R E T SECTION 01 OF 02 PARIS 33272

NODIS

FOR LARRY EAGLEBURGER AND JAMES BUCKLEY FROM THE AMBASSADOR

E.O. 12356: DECL: OADR
TAGS: EEWT, IT, UK, GW, BE, NL, FR
SUBJECT: BASIS FOR AGREEMENT ON THE PIPELINE

1. (SECRET - ENTIRE TEXT)

2. PROCEDURE APART, AND SUBJECT TO A TECHNICAL ANALYSIS, I WOULD LIKE TO SET FORTH WHAT I THINK COULD BE THE BASIS FOR A NEGOTIATED DEAL WITH THE EUROPEANS ON THE PIPELINE. OUR GOAL IS TO DELAY ITS OPERATION AND IT SEEMS TO ME THAT THE FAMOUS ROTORS ARE STILL THE KEY TO OBTAINING THE DELAY. ASSUMING WE CAN KEEP THE BRITISH AND THE ITALIANS DOWN TO SUPPLYING LESS THAN A DOZEN ROTOR-EQUIPPED TURBINES, THE SOVIETS STILL MUST FIND, BUILD, OR SUBSTITUTE FOR ABOUT 110. OTHER EQUIPMENT FROM WESTERN SUPPLIERS USING U.S. TECHNOLOGY IS NOT THAT CRITICAL. (THIS TECHNICAL ASPECT SHOULD BE CAREFULLY CHECKED). I SUGGEST WE ASK OUR ALLIES TO AGREE TO THE FOLLOWING:

3. THE FRENCH TO:

(A) SET UP A SYSTEM THAT ENSURES THAT THE 40 CONTRACTED-FOR ROTORS FROM ALSTHOM-ATLANTIQUE WILL BE USED
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ONLY AS REPLACEMENTS AND NOT AS ORIGINAL EQUIPMENT I.E., STICK TO THE ORIGINAL INTENTION OF THE CONTRACT WITH THE USSR. FOR EXAMPLE, THE FIRST SHIPMENT BY THE FRENCH COULD BE RESTRICTED TO TWO OR THREE ROTORS WITH FUTURE DELIVERIES TO BE SUBJECT TO VERIFICATION OF THE USE OF THE FIRST SHIPMENT AS SPARES. (THEORETICALLY REPLACEMENTS WOULD NOT BE NEEDED UNTIL THE PIPELINE HAD BEEN COMPLETED AND RUNNING FOR SOMETIME, BUT THIS WILL BE THE MOST DIFFICULT CONDITION FOR THE FRENCH TO ACCEPT AND WOULD NEED TO BE INVESTIGATED QUIETLY AT A HIGH LEVEL BEFORE PROCEEDING WITH THE OTHER TARTS. WE SHOULD ALSO EXPLORE VARIANTS THAT MIGHT HAVE THE SAME EFFECT, SUCH AS A STRETCH-OUT IN DELIVERIES.)

- (B) NOT PRODUCE ADDITIONAL ROTORS (THIS SHOULD BE ACCEPTABLE TO THE FRENCH);
- (C) UNDERTAKE DISCUSSIONS LEADING TO AN EARLY CONTRACT FOR NORWEGIAN GAS IN QUANTITY;
- (D) RESTRICT THEIR OFF-TAKE OF SOVIET GAS UNDER CONTRACT TO MINIMUM AND TO HOLD OFF INDEFINITELY ON NEW PURCHASES; AND,
- (E) LIMIT FUTURE SALES OF OIL AND GAS-RELATED EQUIPMENT TO THE SOVIETS.

-- THE GERMANS TO:

- (A) LIKE THE FRENCH, PROCEED TO CONTRACT EARLY FOR NORWEGIAN GAS IN QUANTITY;

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- (B) NEGOTIATE WITH THE SOVIETS FOR DELIVERY OF AEG KANIS COMPRESSORS WITHOUT THE ROTORS;
- (C) LIMIT FUTURE SALES OF PIPE AND OTHER OIL AND GAS-RELATED EQUIPMENT TO THE SOVIETS; AND,
- (D) RESTRICT THEIR TAKE OF SOVIET GAS UNDER CONTRACT TO THE MINIMUM, AVOID SPOT PURCHASES AND MAKE NO NEW PURCHASES.

-- THE ITALIANS TO:

- (A) NOT BUY SOVIET GAS (OR AT LEAST ONLY A SMALL QUANTITY);
- (B) LIMIT THE ROTORS THEY SHIP TO E.G., 4 OR 5; AND,
- (C) BUY NORWEGIAN GAS.

-- THE UK TO:

- (A) BUY ENOUGH NORWEGIAN GAS TO HELP SUPPORT FIELD DEVELOPMENT, I.E. AVOIDING PREEMPTING THE MARKET IN A WAY WHICH WOULD EXCLUDE CONTINENTAL PURCHASES.
- (B) LIMIT THE ROTORS THEY SHIP TO, E.G., 4 OR 5.

-- THE DUTCH TO INCREASE EXPORTS DURING THE PERIOD OF A POSITIVE SHORTFALL IN THE LATER 80'S.

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-- THE BELGIANS TO BUY INTO THE NORWEGIAN GAS PROJECT.
3. IN EXCHANGE FOR THESE MEASURES WE WOULD ELIMINATE
THE JUNE SANCTIONS AND RESTRICT THE DECEMBER SANCTIONS
TO GOODS MADE IN THE U.S.A.

4. THERE MAY BE OTHER THINGS WE WOULD WISH TO ASK FOR
BUT I HAVE AVOIDED ANY LINKAGE TO CREDITS. IT SEEMS TO
ME WE SHOULD REGARD THAT AS A SEPARATE ALLIANCE PROBLEM
WHICH WE CAN PURSUE (THE SOVIET'S CURRENT CREDIT PROBLEMS
MAY ALLOW US TO WIN THIS ONE AUTOMATICALLY WITHOUT ANY
QUID PRO QUO.) MOREOVER COCOM HAS AND SHOULD CONTINUE
TO STAND ON ITS OWN AND BE STRENGTHENED; IT SHOULD NOT
BE A BARGAINING CHIP. IT EXISTS FOR EVERYONE'S INTEREST.
ON THE POSITIVE SIDE WE WOULD WANT TO WORK TO PUT TOGETHER
A GOOD EXPORT PACKAGE TO BE USED IN THE NORWEGIAN
DEVELOPMENT.

5. THE ABOVE NEEDS SOME MORE MEAT ON ITS BONES BUT
THERE IS ENOUGH THERE TO DEMONSTRATE AN APPROACH WHICH
IS DIFFERENT FROM AND IN MY OPINION MORE TO THE POINT
THAN WHAT WE HAVE HEARD RUMORED.
GALBRAITH

SECRET

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